

# ARTHUR ANDERSEN LLP

## Report of Independent Public Accountants

To the Comptroller General of the United States  
and the Public Printer:

This report presents our unqualified opinions on

- the fiscal year 1995 consolidated financial statements and supplemental schedules of the United States Government Printing Office ("GPO") and
- management's assertion that GPO maintained an effective internal control structure over financial reporting as of September 30, 1995.

This report also presents our findings about GPO's compliance with certain laws and regulations. In addition, this report describes management's responsibilities for financial reporting and the internal control structure over financial reporting and our responsibility for auditing the financial statements and examining management's assertion regarding the internal control structure over financial reporting.

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of the United States Government Printing Office as of September 30, 1995, and the related consolidated statements of revenues and expenses and cash flows for the year then ended. In our opinion, the accompanying fiscal year 1995 consolidated financial statements present fairly, in all material respects, the financial position of GPO as of September 30, 1995, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The consolidated financial statements of GPO as of and for the year ended September 30, 1994, (as restated-see Note 2K) are unaudited and, accordingly, we do not express an opinion on them.

## **Supplemental Schedules**

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules (on pages 30 through 39) as of and for the year ended September 30, 1995, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the fiscal year 1995 consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the fiscal year 1995 consolidated financial statements taken as a whole.

## **Performance Measures**

Our audit was made for the purpose of expressing an opinion on the fiscal year 1995 consolidated financial statements of GPO taken as a whole. The information contained in Performance Measures is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. This information has not been subjected to the auditing procedures applied in our audit of the fiscal year 1995 consolidated financial statements and, accordingly, we express no opinion on it. However, we compared this information for consistency with the 1995 consolidated statements and discussed the methods of measurement and presentation with GPO management. Based on this limited work, we found no material inconsistencies with the 1995 consolidated financial statements.

## **Opinion on Management's Assertion Regarding the Internal Control Structure Over Financial Reporting**

In our opinion, management's assertion (included in its representation letter to us dated December 15, 1995) is fairly stated, in all material respects, based on the objectives stated below in relation to GPO's consolidated financial statements taken as a whole. Management's assertion, based on its evaluation using OMB Circular No. A-123 (revised as of June 21, 1995), is that, as of September 30, 1995, GPO maintained an effective internal control structure over financial reporting.

The objectives of an internal control structure over financial reporting are to provide management with reasonable, but not absolute, assurance that

- assets are safeguarded against loss from unauthorized acquisition, use, or disposition,
- transactions are executed in accordance with budgetary authority and with the laws and regulations that could have a direct and material effect on the financial statements, and
- transactions are properly recorded, processed, and summarized to permit the preparation of GPO's financial statements in accordance with generally accepted accounting principles and to maintain accountability over assets.

Because of inherent limitations in any internal control structure over financial reporting, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control structure over financial reporting to future periods is subject to the risk that the internal control structure may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Under standards established by the American Institute of Certified Public Accountants, reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure over financial reporting that, in our judgment, could adversely affect GPO's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of the internal control structure over financial reporting does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted that the following reportable conditions existed in GPO's design or operation of the internal control structure over financial reporting in effect at September 30, 1995, none of which we believe to be a material weakness. The reportable conditions are described more fully in a separate letter to the management of GPO dated December 15, 1995.

### **Reportable Conditions**

1. Procedures for addressing and correcting identified deficiencies in GPO's internal control structure require improvement. Both the 1989 audit conducted by the General Accounting Office and the 1992 audit conducted by Arthur Andersen LLP identified numerous deficiencies in GPO's internal control structure, including the need to perform regular assessments of internal controls. No such assessment was performed prior to fiscal year 1995, and management has not addressed a number of previously identified control deficiencies at September 30, 1995.
2. In conjunction with our 1995 and 1992 work, we noted that there has been inadequate security over computer access by programmers and systems application personnel to the financial management and text processing electronic data processing ("EDP") systems. Therefore, unauthorized access to certain GPO EDP applications could occur, allowing users to modify financial and customer data without management's knowledge or approval.
3. In conjunction with our 1995 and 1992 work, we noted that inadequate contingency and backup planning has existed for the financial management and text processing EDP systems. There is no documented contingency plan, and production application backups are not rotated off-site. In the event of a disaster, GPO may not be able to recover critical processes in a timely manner.
4. Certain subsidiary ledgers for accounts receivable and accounts payable were not reconciled on a regular basis during fiscal year 1995. The lack of reconciliation in the accounts receivable area resulted from a change in personnel and responsibilities and a lack of adequate supervisory review. The lack of reconciliation in the accounts payable area resulted from unclear user needs and directions when the subsidiary ledger was established and inadequate supervisory review during the year. Misstatements of balances could occur and not be detected on a timely basis.

These matters were considered by us during our audit of the fiscal year 1995 consolidated financial statements and our examination of management's assertion regarding GPO's internal control structure and do not modify the opinions expressed above. We also noted other matters involving the design or operation of the internal control structure that we have reported to the management of GPO in a separate letter dated December 15, 1995.

### **Findings About Compliance With Certain Laws and Regulations**

As part of obtaining reasonable assurance about whether the consolidated financial statements of GPO are free of material misstatement, we performed tests of GPO's compliance with the following provisions of laws and regulations, which were identified by GPO and the General Accounting Office:

- Title 44, U.S. Code, Public Printing and Documents
- Civil Service Reform Act of 1978
- Fair Labor Standards Act of 1938
- Federal Employees' Group Life Insurance Act of 1980
- Civil Service Retirement Act of 1930
- Federal Employees Health Benefits Act of 1959
- Debt Collection Act of 1982
- Federal Employees' Compensation Act
- Anti-Deficiency Act
- Budget and Accounting Procedures Act of 1950
- Congressional Operations Appropriations Act of 1995 (Public Law 104-53)

Instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes and regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the consolidated financial statements or that their sensitivity warrants disclosure thereof.

The results of our tests of GPO's compliance with selected provisions of certain laws and regulations discussed above disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit of the consolidated financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

### **Management's Responsibilities**

Management is responsible for the following:

- Preparing the consolidated financial statements and supplemental schedules referred to above in conformity with generally accepted accounting principles and for preparing Performance Measures.
- Establishing, maintaining, and assessing the internal control structure to provide reasonable assurance that the broad objectives of internal controls, as cited earlier, are met.
- Complying with laws and regulations applicable to GPO.

## Auditors' Responsibilities

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* (1994 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We have examined management's assertion (included in its representation letter to us dated December 15, 1995), that, as of September 30, 1995, GPO maintained an effective internal control structure over financial reporting. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards* (1994 Revision), and, accordingly, included obtaining an understanding of the internal control structure over financial reporting, testing and evaluating the design and operating effectiveness of the internal control structure, and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

We have read the information presented in the Performance Measures and considered whether such information, or the manner of its presentation, is materially inconsistent with the information, or the manner of its presentation, appearing in the financial statements. If, based on such reading, we believe that there is a material inconsistency, we would be required to determine whether the financial statements, our report, or the other information should be revised.

This report is intended solely for the information and use of the Comptroller General of the United States, the Public Printer, the Joint Committee on Printing, and management of GPO and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Washington, D.C.,  
December 15, 1995

*Arthur Andersen LLP*